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E.O. 12958: DECL: 09/25/2017

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SUBJECT: BUSINESS LEADERS DESPAIR OVER PMG'S EFFECT ON TPA

Classified By: Ambassador William A. Eaton - Reasons 1.5(b and d)

¶11. (C) Summary: Panamanian business leaders are increasingly glum about the country's prospects for securing Trade Promotion Agreement (TPA) ratification in the U.S. owing to Pedro Miguel Gonzalez's (PMG's) September 1 elevation to Panama's National Assembly presidency. In their meetings with several U.S. congressmen in Washington last week, they came away with the clear impression that the TPA would not advance in Congress so long as PMG remains in place. Private sector figures and politicos have sought to blame President Martin Torrijos and Vice President/Foreign Minister Samuel Lewis Navarro for their "failed leadership" that gave rise to PMG and his potential impact on the TPA. Relentless media coverage of the issue has further aggravated Panamanian despair over the inevitable clash between PMG and the TPA. Meanwhile, Post hears that PMG is trying to pitch the line that regardless what happens to the TPA, it has nothing to do with his ascension to the National Assembly presidency. His departure appears highly unlikely. End summary.

Business Leaders Bemoan PMG Effect on TPA

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¶12. (C) On September 24, Panama's American Chamber of Commerce President Carlos Urriola gave board members of the U.S.-Panama Association (USPA) a sobering read-out of his trip last week to Washington, DC to lobby for the U.S.-Panama TPA. Together with other members of the American Chambers of Commerce of Latin America (ACCLA), Urriola met with several House members, including Reps. Sander Levin, Gregory Meeks, Joe Crowley, Xavier Becerra, and others. He said that the members were clearly perturbed by PMG's September 1 elevation to Panama's National Assembly presidency and that their basic message to ACCLA was that the Panama TPA would not go forward so long as PMG remained in place. Urriola said one member warned, "If Lou Dobbs puts this (PMG) issue out over CNN, this TPA won't be dead. It'll be buried."

¶13. (C) Urriola said that Rep. Crowley appeared to waver in his support for the TPA precisely because of PMG. He added that Crowley told the entire ACCLA group that he and other members were concerned about the lack of "rule of law" in Panama and how PMG's "impunity" casts doubt on how U.S. investors might fare with Panama's corrupt judiciary. (Comment: Panama's notoriously corrupt judicial system has long posed a problem for foreign investors faced with arbitrary and capricious proceedings. Even if the PRD's manipulation of PMG's 1997 trial ultimately boomerangs to dash Panamanian hopes for a TPA with their biggest trade partner, it is unclear whether this would be enough to finally prompt Panama's elites to embrace meaningful judicial reform. End comment.)

¶4. (C) Urriola added that Rep. Sander Levin appeared unmoved by arguments that failing to approve the TPA could embolden Venezuelan President Hugo Chavez. "Levin said he was bored with the Chavez argument and wanted us to discuss the PMG issue directly, not in terms of the Chavez threat," according to Urriola.

¶5. (C) Other USPA members bemoaned the GOP's "stupidity" and "failure of leadership" in allowing PMGQs rise to potentially torpedo the TPA. Eloy Alfaro, former Panamanian Ambassador to the U.S., criticized President Martin Torrijos and Vice President/Foreign Minister Samuel Lewis Navarro for their public support for PMG. Alfaro suggested that Panama's chief executive had aggravated the "negative signals" sent to the U.S. by the National Assembly. He also discounted continued displays of support for the TPA by Bush Administration officials, noting that the U.S. Congress would "make its own decisions." Alfaro observed that the views of congressmen could easily harden, noting that some continue to repeat the decade-old canard about the GOP having supposedly given the Chinese control over the Panama Canal. (Comment: Alfaro is a political ally of Torrijos' political enemy, former President Ernesto Perez Balladares, and is ostensibly interested in discrediting the Torrijos administration. End Comment.)

¶6. (C) Clearly frustrated by PMGQs stubborn refusal to step down for the sake of the TPA and the broader national interest, USPA members discussed ways they might boost the pressure on PMG to step aside. While some called for all business chambers to unite in a nationwide campaign aimed at prompting PMG's resignation, others cautioned against the potential for such an effort to backfire, further hardening PMG's resolve to stay put. They all agreed, however, that this was ultimately a problem that only Panamanians themselves could resolve. They also worry that, even if PMG steps down immediately, this episode may have done irreversible damage to the TPAQs prospects in Congress.

#### PRD Members Point Fingers Over PMG Debacle

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¶7. (C) On September 19, President TorrijosQ private secretary, Leonel Solis, told an embassy official that "Martin is the only one to blame for this huge mistake" and that Torrijos "never thought that PMG would go this far." He added that he's only seen Torrijos seriously concerned about two crises: protests in 2005 against Social Security reforms and the PMG matter.

¶8. (SBU) Sensing the potential political fall-out the PRD could suffer from possibly losing the TPA over the PMG issue, Panama City Mayor Juan Carlos Navarro openly criticized Vice President/Foreign Minister Samuel Lewis on September 14 for allowing the PMG debacle to harm Panama's relationship with the U.S. Lewis retorted that his cousin the mayor (and fellow PRD presidential aspirant) should stay out of the GOP's diplomacy and attend to the city's trash collection problems.

¶9. (SBU) Former Minister of Government and Justice and current Chair of the AssemblyQs Foreign Relations Committee, Hector Aleman, explained to DCM that the Pedro Miguel debacle got caught in internal PRD politics. According to him, the National Assembly had a growing number of gripes about how Torrijos had sidelined the National Assembly and how he had become increasingly dictatorial in his treatment of them. Martin simply sent his edicts to the Assembly and expected them to fall in line, which created deep resentment among members. Many in the Assembly saw the Pedro Miguel election as a way to get back to Torrijos and to teach him a lesson. (Comment: Despite his professed support for Torrijos, it is well known that Aleman's pride had been wounded by his dismissal from the Ministry and he may have lent himself to consummation of the September 1 circus that elected Gonzalez. End comment.) In response to the DCM's admonition that the PRD had willingly adopted an unhelpful anti- American speech, Aleman explained that it was the only way for them not to be isolated politically and that some viewed it as the insurance policy against the resignation of Gonzalez. He predicted that Gonzalez would not step down, but expressed concern about the future of the TPA. He predicted dire consequences if the Agreement is not ratified and professed a willingness to find a way ahead, short of Gonzalez's resignation. He also conceded that the PRD could lose the 2009 election if the TPA were not ratified and that he has told this to Gonzalez. Aleman said that Gonzalez had agreed to not make any

more public anti-American statements.

Press Contacts Say PMG Delusional

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¶110. (C). In an off-the-record conversation, three prominent media directors and a popular TV journalist related to the Ambassador, DCM and PAO their views on PMG based on conversations and interviews that have had with him. The four were unanimous in saying that PMG was "delusional," living in his own fantasy world with respect to his potential negative impact on the TPA. PMG refused to acknowledge that he would be a factor at all in the congressional deliberations and that he could turn out to be the critical factor in a final vote on the TPA. One director noted that PMG accused the Panamanian press, especially leading daily QLa Prensa, Q of being in cahoots with the Americans in orchestrating an anti-PMG campaign.

Comment

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¶111. (C) Local media coverage of the "PMG dilemma" has been relentless, driven by Panama's internal politics as well as outside forces, such as the Puerto Rican Senate's efforts to make an issue of PMG. (Zak Hernandez, whose 1992 ambush slaying was allegedly done by PMG, was Puerto Rican.) Likewise, international media coverage of the PMG story in late August/early September has further aggravated the private sector's despair and frustration over the inevitable clash between PMG and ratification of the TPA.

¶112. (C) Every indication suggests that PMG is convinced his rise will not affect the ratification of the TPA. Post has heard that PMG thinks that the U.S. Congress will ratify the TPA because its national interest is greater than the complications created by his ascension. Post has also heard that PMG thinks that if the TPA is not ratified it will be owed to internal political differences in the U.S. over free trade and not his ascension. In any event it looks as if Gonzalez is entrenching his position and that he will not leave.

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